W. Scott Randolph
Director – Regulatory Affairs

Verizon Communications
1300 I Street
Suite 500E
Washington, DC 20005

Phone: 202 515-2530
Fax: 202 336-7922
srandolph@verizon.com

May 20, 2003

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 Twelfth Street, S.W.
Washington, DC 20554

Ex Parte: CC Dockets No. 02-33, 95-20, 98-10, and 01-337

Dear Ms. Dortch:

On May 20, 2003, John Schommer, Mike Nawrocki, Augie Trinchese, John Goodman and the undersigned met with Brent Olson, Terri Natoli, Bill Kehoe, Michael Carowitz, Darryl Cooper, and Ben Childers of the Wireline Competition Bureau and Harry Wingo of the Office of the General Counsel to discuss the appropriate regulatory framework for broadband access to the Internet over wireline facilities.

We reviewed how the convergence of computing and communications technologies and increasing competition has outpaced the need for continued application of the Computer Inquiry rules. Using a number of examples, we discussed how the requirement to isolate a "telecommunications service" using integrated architectures and equipment results in lost efficiencies, increased network and back-office costs, and service delays. In addition, we described how impediments associated with the Computer Inquiry rules are not limited to Internet access applications and affect development of other broadband services, such as frame relay, ATM, and IP virtual private networks. Finally, we discussed how the tariff filing and service unbundling requirements have severely restricted Verizon's ability to respond to specific requests from a wide range of customers, including ISPs, businesses, colleges and universities, public school systems, and local governments. The attached document was used in the discussions.

Please associate this notification with the record in the proceedings indicated above. If you have any questions regarding this matter, please call me at (202) 515-2530.

Sincerely,

W. Scott Randolph

Attachments

cc: Brent Olson
Terri Natoli
Bill Kehoe
Michael Carowitz
Darryl Cooper
Ben Childers
Harry Wingo

VERIZON
Broadband Title I

May 20, 2003

Computer Inquiry Rules Are No Longer Necessary

- Technology and competition have out paced the need for their continued application.
- CI-III, ONA & CEI obligations were initially adopted to prevent an ILEC from using its control over “local exchange” and basic services in the provision of information services.
- CI Rules were designed for the narrowband world and the emerging convergence of much simpler computer and communications technologies at that time.

Conditions Which Caused the Commission to Adopt CI Rules Have Evaporated

- ILECs do not control bottleneck facilities
  - Competitors serve 17-25 million lines nationwide
  - 2.0 million cable telephony lines in use today
- Local markets in Verizon territory are irreversibly open
  - Competitors serve 7.0 million lines in Verizon's region

Conditions Which Caused the Commission to Adopt CI Rules Have Evaporated (cont'd)

- Information services have grown to be a multi $100 billion competitive industry
  - Homes with cable modem access have increased from 20% to 77% over past 3 years
  - 3.2 billion e-mail messages and 1 billion instant messages daily
  - Annual e-mail and instant messaging traffic is over 3 times greater than voice traffic
  - Protection is no longer necessary
- Technology (the "convergence of computing & communications") has out paced the rules

CI Rules Impede Broadband Development and Restrict Inherent Efficiencies

- The CI Rules require the establishment and isolation of a "telecommunications service" in an environment designed to achieve efficiencies through integrated technology (computing and communications).
- Rather than facilitating competition and new information services, in a Broadband World, CI Rules can stifle development.

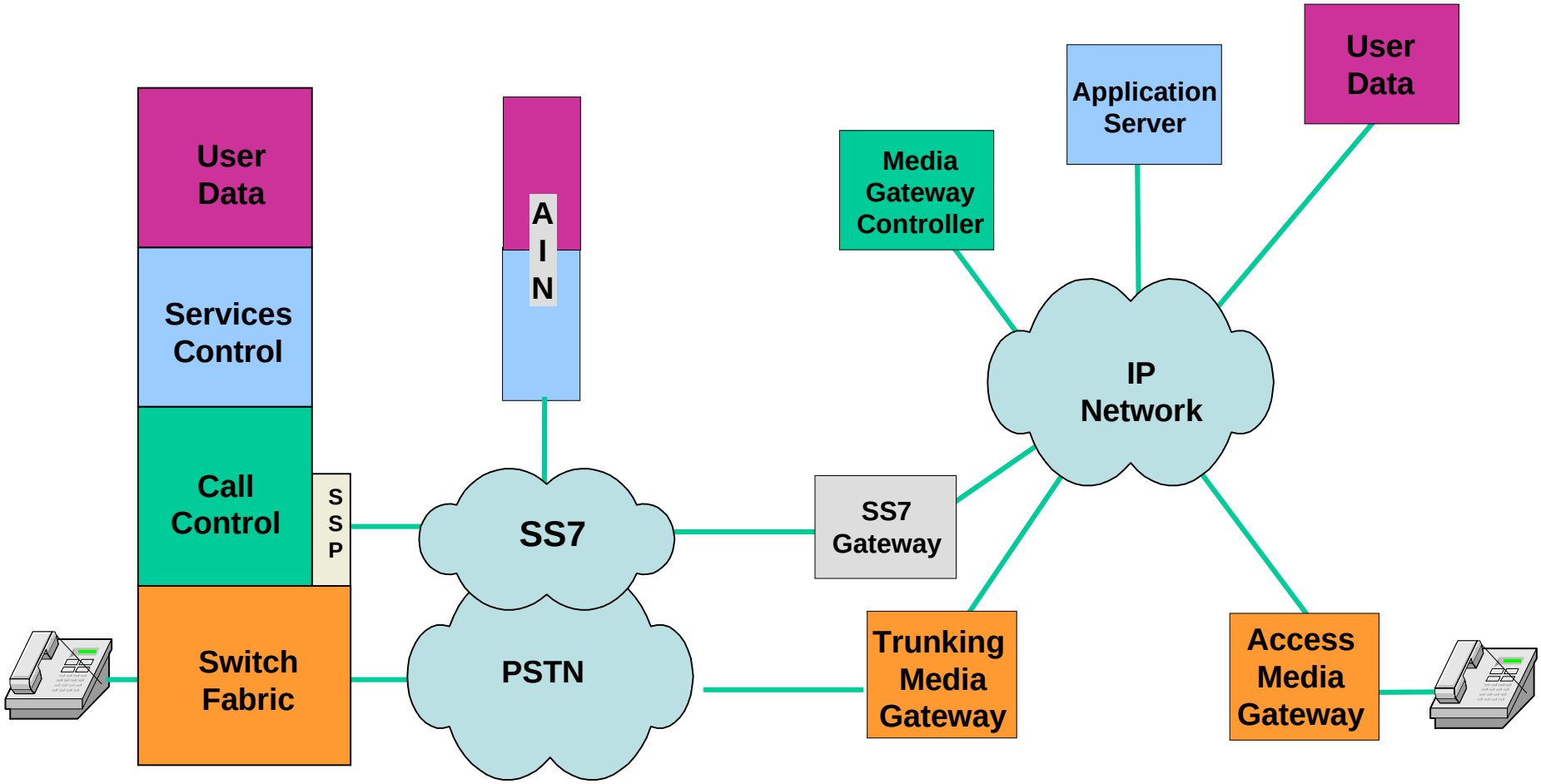
In the Transition From Narrowband to Broadband, Technology Has Outpaced the Rules

- The anticipated convergence of computing and communications has occurred - at a much more complex level.
- Emerging communication networks are based on the very concept of protocol processing and interaction with stored information.
- Emerging communication networks are based on computing and Internet “technologies”.
  - Circuit Switch to Packet Switch
  - TDM to ATM/IP
  - Centralized to distributed architecture
- Communications networks and web networks will look similar.
  - Run on a server farm- not a traditional circuit switch

In the Transition From Narrowband to Broadband, Technology Has Outpaced the Rules (cont'd)

- **Old model** – features are constrained to switched based resources.
- **New model** – call treatment can be delivered from anywhere.
  - Features delivered by application servers – not switches.
  - Servers integrate features/applications – independent of their "regulatory classification".
  - There are efficiencies in integration and distributed processing.

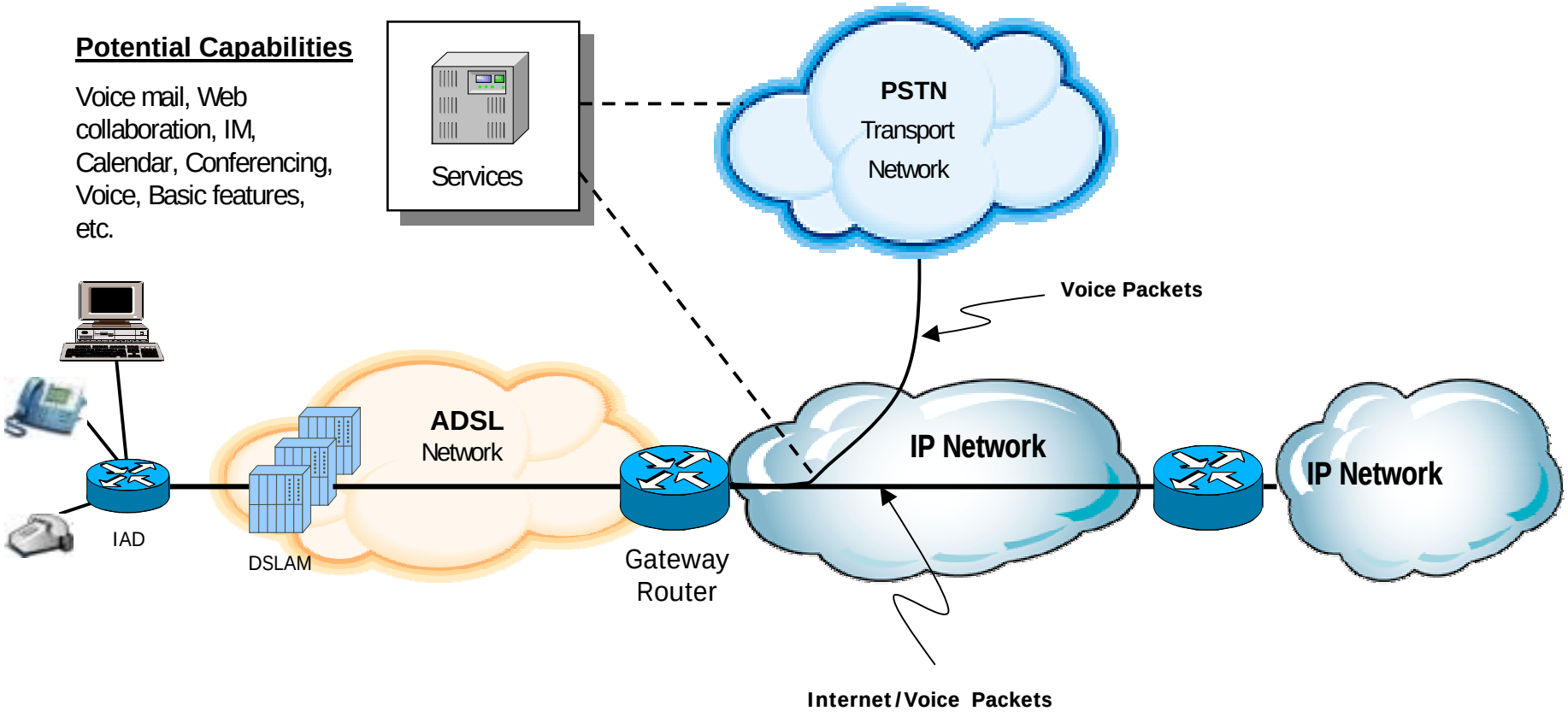
Softswitch Architecture



Design Inefficiencies Result When Old Rules Are Applied to Broadband

- Distributed architecture does not facilitate efficient separation of “basic and enhanced” functions.
- Broadband features are not discrete elements. Rather they are different treatment options from an application server.
- Design inefficiencies result in additional costs and operational complexities.

Generic VoIP Architecture



CI Impediments: Generic VoIP Architecture As an Example

- Rules require the isolation of a "telecommunications service" in an efficiently integrated architecture.
  - Loss of integration efficiencies

- Technology is driven by the efficiencies of integrated capabilities – sharing resources.
  - Vendor R&D
    - Equipment built to address a broader base of IP network providers – not the ILECs.
  - Basic "vs." enhanced
    - The policy drives to isolating services based on regulatory distinction.
    - Additional costs and timing associated with "customized" designs to satisfy regulatory rules applied to a subset of the IP network providers.

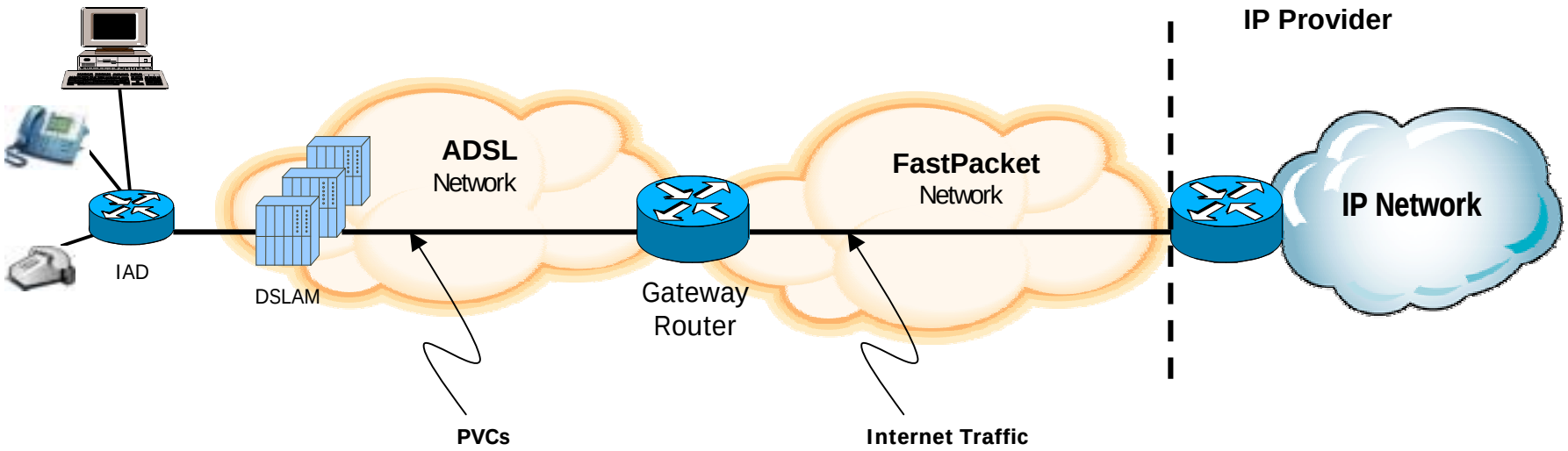
CI Impediments: Generic VoIP Architecture As an Example (cont'd)

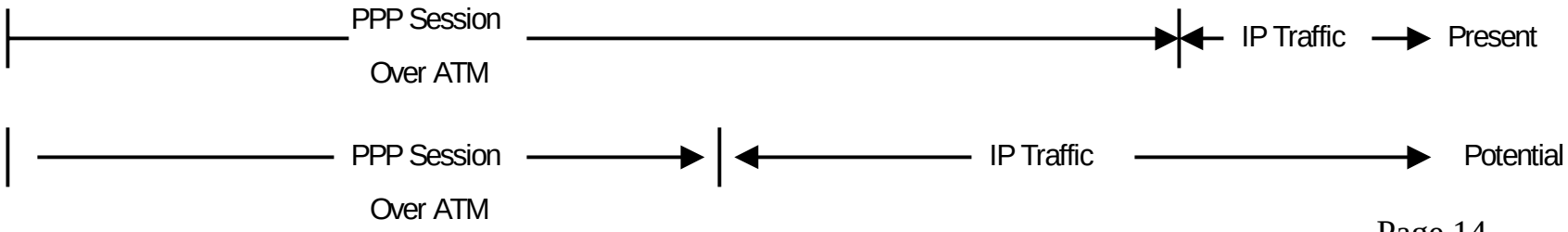
- Service development must be analyzed for compliance with CI rules – a time consuming / complex undertaking.
  - Each function needs to be analyzed against the rules
  - Outcome can result in complex undertakings to attempt to achieve "compliance"
  - Artificial processes and interfaces need to be developed to address rules
  - Service offerings become complex and confusing to the customer and providers
  - Tariffs are required for services "determined" to be basic under the rules
    - Other aspects are not tariffed
    - Layered approach to service offering
  - All outcomes are subject to regulatory gaming, second guessing and more important, service offerings face uncertainties and delays

CI Impediments: Generic VoIP Architecture As an Example (cont'd)

- Potential basic service unbundling – technical impediments
- Complicates Operations
  - Provisioning
    - Service offerings potentially require 3rd party input / processes
    - Pick and choose features – provide some but not all – niche offerings
    - Customer confusion
  - Repair
    - Complex coordination of 3rd party inputs
    - Time delays
    - Customer frustration – confusion
  - Interoperability
    - Complex processing – equipment
    - Finger pointing
    - Additional costs to disaggregated technology

Generic Broadband Traffic Aggregation Architecture

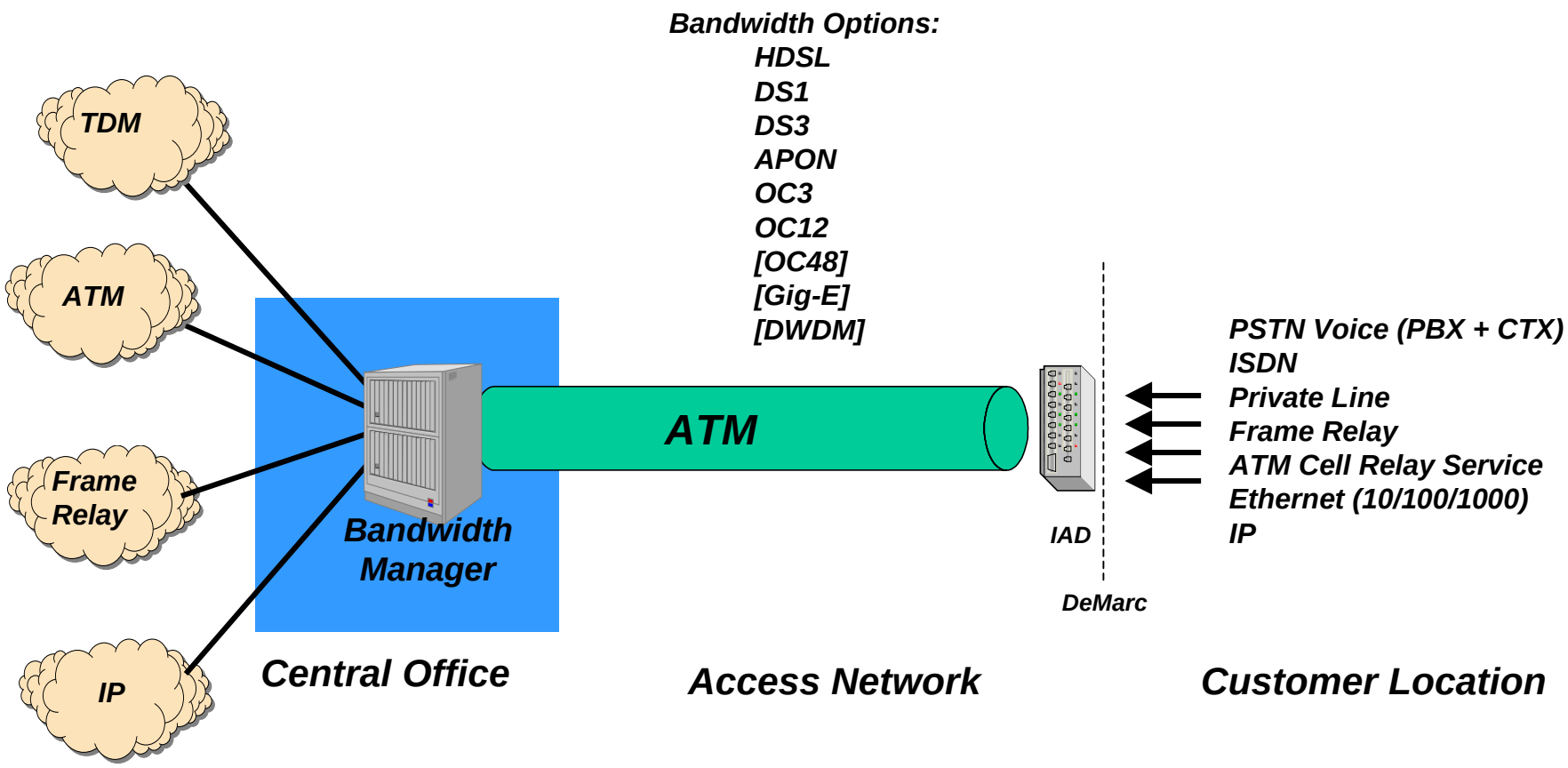




CI Rule Impediments to Broadband Are Not Limited to Internet Applications

- Lan to Lan Interconnection
- Frame Relay to ATM
  - Connect disparate interfaces / protocols
- Converged Access Services
  - Integrated access to multiple services, protocols and etc.
- IP VPN
  - Different interfaces
    eg. Frame to ATM – ATM to Ethernet – Frame to Ethernet – Others?
  - Impact of variable connections
- Follow me services
  - Contact lists
  - Call logging
  - Scheduled conference calling
  - Visual voice mail (speech to text)
  - Directory service

Converged Access Services (CAS)



Common Carrier Treatment of Broadband Impedes Marketing Flexibility

- Common Carrier treatment interferes with market forces
  - Fixed prices – limited flexibility
  - One size fits all
    - Constrained by terms & conditions
  - Offerings technologically restricted
    - Different functional packages inhibited by terms & conditions
- Common Carrier treatment stifles innovative approaches to market development
  - Inhibits risk/reward approach
  - Restricts innovative business relationship
    - Revenue – Tariff terms vs. innovative agreements
    - Service packages – Different levels of offerings tailored to market price

Conclusion

- Computer Inquiry Rules have outlived their usefulness.
- General Application of CI rules should be eliminated.
  - ILECs do not control bottleneck facilities used in the provision of information services
  - Technology has outpaced the rules
  - The information industry does not need protection
- In a broadband market CI rules should not be applied.
  - ILECs are not the dominant provider
  - Technological efficiencies have blurred the line between computers and communications
- Common Carrier treatment of Broadband interferes with market forces and stifles innovation.
- The perceived need to maintain an open network can be addressed by market forces rather than creating artificial boundaries inherent in the CI rules.